

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-02 INR-10

L-03 NSAE-00 NSC-05 PA-02 SP-02 SS-15 ICA-20

AID-05 EB-08 TRSE-00 STR-07 OMB-01 CEA-01 COME-00

FRB-01 XMB-04 OPIC-06 LAB-04 SIL-01 DOE-15 SOE-02

HA-05 AGRE-00 /139 W

-----006052 202225Z /70

R 202044Z JUN 78

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 2746

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E.O. 11652: N/A

TAGS: BGEN ECON PGOV VE

SUBJECT: MEETING OF THE VENEZUELAN FEDERATION OF CHAMBERS OF COMMERCE

JUNE 11-17, 1978

1. SUMMARY: THE VENEZUELAN FEDERATION OF CHAMBERS OF COMMERCE (FEDECAMARAS), VENEZUELA'S MOST PRESTIGIOUS BUSINESS ORGANIZATION, HELD ITS ANNUAL WEEK OF MEETINGS JUNE 11-17 TO REVIEW BUSINESS CONDITIONS, THE ECONOMY AND PARTICULARLY TO ASSESS THE ACTIVITIES OF THE GOVERNMENT OF VENEZUELA (GOV). FEDECAMARAS WAS CRITICAL OF THE GOVERNMENT'S INABILITY TO CONTROL INFLATION, HIGH IMPORT LEVELS, MISGUIDED GOVERNMENT PROGRAMS, CORRUPTION AND INEFFICIENCY. QUALIFIED APPROVAL WAS GIVEN TO MANAGEMENT OF THE PETROLEUM SECTOR, DECENTRALIZATION AND ANDEAN PACT PROGRESS. GOVERNMENT SPOKESMEN AGREED TO CURB THE GOVERNMENT'S GROWING ECONOMIC POWER AND RETURN SOME OF IT TO THE PRIVATE SECTOR.

2. FEDECAMARAS' ASSESSMENT OF GOV ACTIVITY THIS YEAR WAS EVO1
CATIVE OF THE OLD PRAYER: THE GOV HAS DONE THAT WHICH IT OUGHT
NOT TO HAVE DONE AND LEFT UNDONE THAT WICH IT OUGHT TO HAVE DONE.
FEDECAMARAS DID NOT REACH THE PRAYER'S CONCLUSION THAT THE GOVERN-
MENT WAS UNHEALTHY, BUT IT CLEARLY STATED THAT THE GOVERNMENT HAD
ENCROACHED TOO FAR ON THE ECONOMIC LIFE OF THE COUNTRY, AND
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THE MASSIVE GOVERNMENT EXPENDITURES WOULD HAVE HAD A GREATER
RETURN IF THE PRIVATE SECTOR HAD BEEN ALLOWED TO PLAY A
BIGGER ROLE. ON THE "OUGHT TO HAVE DONE" SIDE, THE BULLETIN
BOARD OUTSIDE THE ASSEMBLY HALL ENTRANCE FEATURED PICTRES OF UN-
COLLECTED GARBAGE, INADEQUATE SEWERS, HALF COMPLETED AND ABAN-
DONED PUBLIC WORKS AND POT-HOLED CITY STREETS. STARTING FROM THAT
POINT, FEDECAMARES' LISTOF GOVERNMENT SHORTCOMINGS AND INEPTNESS

STRETCHED TO THE HORIZON. THE MAJOR ONES DISCUSSED CAME UNDER THE FOLLOWING HEADING:

(A) EXPANSION HAS BEEN TOO RAPID. GOVERNMENT EXPENDITURES HAVE INCREASED MUCH TOO RAPIDLY. INTERNAL DEMAND HAS INCREASED TOO FAST. NEITHER AGRICULTURE NOR INDUSTRY HAS BEEN ABLE TO INCREASE PRODUCTION FAST ENOUGH TO MEET THE DEMAND. IMPORTS HAVE SOARED. INFLATION HAS BEEN THE INEVITABLE RESULT, AND GOVT EFFORTS TO AMELIORATE THIS THROUGH LIQUIDITY MANAGEMENT AND PRICE CONTROLS HAVE FALLEN HEAVILY ON BUSINESS, AND BEEN DISTORTING AND DISCOURAGED PRODUCTION. GOVERNMENT EXPANSION TO MEET THE MULTIPLICITY OF INVESTMENT PRODUCTION AND DISTRIBUTION NEEDS AS WELL AS THE TRADITIONAL SOCIAL SERVICE NEEDS HAS SPREAD IT FAR TOO THIN AND LEAD TO GREAT INEFFICIENCY.

(B) MORE FUNDS SHOULD HAVE BEEN ALLOCATED TO INFRASTRUCTURE WHICH IS WOEFULLY INADEQUATE.

(C) STIMULATION OF NON-TRADITIONAL EXPORTS IS WEAK. BETTER PORTS, WAREHOUSES, ROADS, MODERN EXPORT-RELATED LEGISLATION AND ADMINISTRATION PROCEDURES ARE NEEDED.

(D) VENEZUELAN DO NOT HAVE FAITH IN THEIR OWN PRODUCTS, AND IMPORT LEVELS ARE UNNECESSARILY HIGH BECAUSE FOREIGN PRODUCTS ARE BOUGHT INSTEAD OF THOSE LOCALLY PRODUCED.

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(E) GOVERNMENT STIMULATION TO AGRICULTURE HAS BEEN FINANCIAL, BUT INFRASTRUCTURE, CLEAR LAND TITLE AND PRICE CONTROLS THAT ENCOURAGE PRODUCTION ARE NEEDED, NOT JUST FARM CREDIT.

(F) KAFKAESQUE RED TAPE AND CORRUPTION HINDER AGRICULTURE AND THE CONSTRUCTION INDUSTRY.

3. TO ADD SOME MODEST BALANCE TO THIS LIST, FEDECAMARAS DID ACKNOWLEDGE THAT ATTENTION TO AGRICULTURE AND ELECTRICAL GENERATION AND THE GREAT THRUST TOWARD INDUSTRIALIZATION THROUGH STEEL AND ALUMINUM WERE STEPS IN THE RIGHT DIRECTION BECAUSE THEY USED THE ABUNDANT RESOURCES AVAILABLE AND SET THE STAGE FOR A MEASURE OF VENEZUELAN SELF-SUFFICIENCY AND ULTIMATE EXPORT POTENTIAL.

4. FEDECAMARAS ALSO GAVE QUALIFIED APPROVAL TO:

(A) GOVERNMENT MANAGEMENT OF THE PETROLEUM SECTOR. BUT FEDECAMARAS WAS QUICK TO POINT OUT THAT THE 1973-74 BONANZA WOULD NOT RECUR; THE HARD DECISIONS OF PRIORITIES AND EFFICIENT USE OF FUNDS NOW BECOME

PARAMOUNT IN THE QUEST TO MAINTAIN PRODUCTION AND
FIND NEW RESERVES, AND THUS THE REAL TEST OF
VENEZUELAN MANAGEMENT OF THIS ESSENTIAL RESOURCE
REMAINS TO BE PROVED. THE GOV SHOULD RETURN MORE
PETROLEUM ACTIVITY TO PRIVATE CONCERNS.

(B) GOVERNMENT EFFORTS TO DECENTRALIZE MORE ECONOMIC
ACTIVITY OUT OF CARACAS.

(C) THE MODEST PROGRESS THAT HAS BEEN MADE IN INTEGRA-
TION THROUGH THE ANDEAN PACT. MORE AND FASTER
INTEGRATION IS NEEDED.
FEDECAMARAS' VIEWS DID NOT GO UNHEEDED AS THE ROSTER OF
GOVERNMENT SPEAKERS INDICATES:
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FRB-01 XMB-04 OPIC-06 LAB-04 SIL-01 DOE-15 SOE-02
HA-05 AGRE-00 /139 W
-----006135 202227Z /70

R 202044Z JUN 78
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 2747

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5. PETROLEUM CZAR GENERAL ALFONSO RAVARD (PRESIDENT OF PETROLEOS DE
VENEZUELA) REPORTED ON FUTURE PLANS FOR OIL EXPLORATION AND PRODUCTION,

HE ESTIMATES CONVENTIONAL OIL RESERVES WILL BE FOUND THAT WILL
ASSURE VENEZUELA'S FUTURE AS AN OIL SUPPLIER FROM CONVENTIONAL
SOURCES WELL INTO THE NEXT CENTURY AND FROM TAR BELT

OILS AS TECHNICAL AND PRODUCTION KNOWHOW ARE DEVELOPED.
HE DID NOT STRESS A BIGGER ROLE FOR PRIVATE ENTERPRISE
IN HIS PLANS.

6. CARMELO LAURIA, WHO HAS THE PORTFOLIO OF MINISTER OF THE
SECRETARIAT OF THE PRESIDENCY AND IS CONSIDERED BY MANY AS THE
SECOND MOST POWERFUL MAN IN THE GOVERNMENT, SAID THAT
THE GOV WANTED MORE ACTIVE BUSINESS PARTICIPATION IN
ECONOMIC PLANNING. HE ALSO ACKNOWLEDGED THAT THE GOVERNMENT
HAD ACQUIRED TOO MUCH ECONOMIC POWER, HAD BEEN
UNABLE TO CARRY OUT THE AMBITIOUS PLANS AND LEFT THE
IMPRESSION THAT SOME RETRENCHMENT WOULD OCCUR WHICH
WOULD GIVE MORE ROOM FOR PRIVATE ENTERPRISE.
BOTH PRESIDENTIAL CANDIDATES MADE THEIR APPEARANCES.
HERRERA CAMPINS CITED THE NEED FOR MORE PRIVATE SECTOR
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PARTICIPATION IN ECONOMIC DEVELOPMENT AND LESS GOVERNMENT
REGULATION. PINERUA STRESSED THE IMPROVEMENT OF PUBLIC
SERVICES, MORE LEGAL SAFEGUARDS, AND SECURITY FOR
BUSINESS, AN ATTACK ON CORRUPTION AND LABOR ABSENTEEISM.
PINERUA APPROVED THE USE OF FOREIGN TECHNOLOGY WHILE
VENEZUELA IS DEVELOPING ITS OWN. HE SAID FOREIGN BORROWING,
FOR WHICH THE PEREZ ADMINISTRATION HAS BEEN HEAVILY
CRITICIZED, WOULD BE CURBED, AND VOICED HIS WILLINGNESS
TO HAVE PRIVATE SECTOR PARTICIPATE IN SOME STATE-OWNED
INDUSTRIES. THE POSSIBILITY OF THIS PARTICIPATION FOR
PETRO-CHEMICALS IS A CURRENT ISSUE.

7. FINALLY, PRESIDENT PEREZ CONFIRMED MINISTER LAURIA'S
REPORT THAT GUARANTEES TO THE PRIVATE SECTOR RESERVING
DESIGNATED AREAS OF THE ECONOMY TO PRIVATE ENTERPRISE WOULD
BE REINSTATED. THESE GUARANTEES HAD BEEN RESCINDED TO ALLOW
EXPANSION OF GOVERNMENT ECONOMIC ACTIVITY, AND REINSTATEMENT IN
SOME FORM HAS BEEN SOUGHT BY THE BUSINESS COMMUNITY.
THE MAJOR PART OF PRESIDENT PEREZ' SPEECH WAS A DEFENSE
OF HIS GOVERNMENT'S POLICIES AND PROGRESS.

8. COMMENT. THE VIGOROUS BUT NON-DEMAGOGIC FEDECAMARAS
PRESENTATION OF THE ISSUES AND THE ATTENTIVE RESPONSES
OF THE GOVERNMENT ARE ANOTHER ENCOURAGING SIGN THAT THE
MECHANISMS OF ECONOMIC DEMOCRACY ARE ALIVE AND WELL AND
LIVING IN VENEZUELA.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEETINGS, CHAMBERS OF COMMERCE
Control Number: n/a
Copy: SINGLE
Draft Date: 20 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978CARACA05678
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780257-0674
Format: TEL
From: CARACAS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780641/aaaabjpw.tel
Line Count: 218
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: c55ec785-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2290064
Secure: OPEN
Status: NATIVE
Subject: MEETING OF THE VENEZUELAN FEDERATION OF CHAMBERS OF COMMERCE JUNE 11-17, 1978
TAGS: BGEN, ECON, PGOV, VE
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/c55ec785-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014